



**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

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WENDY L. WATANABE
AUDITOR-CONTROLLER

December 3, 2013

TO: Supervisor Don Knabe, Chairman
Supervisor Gloria Molina
Supervisor Mark Ridley-Thomas
Supervisor Zev Yaroslavsky
Supervisor Michael D. Antonovich

FROM: Wendy L. Watanabe
Auditor-Controller

A handwritten signature in blue ink, reading "Wendy L. Watanabe", is written over the printed name and title.

SUBJECT: **PUBLIC HEALTH FOUNDATION ENTERPRISES, INC. – A
DEPARTMENT OF PUBLIC HEALTH HIV/AIDS PREVENTION AND
CARE SERVICES PROVIDER – CONTRACT COMPLIANCE REVIEW**

We completed a contract compliance review of Public Health Foundation Enterprises, Inc. (PHFE or Agency), which covered a sample of transactions from April 2011 to December 2012. The County Department of Public Health Division of HIV and STD Programs (DHSP) contracts with PHFE, a non-profit organization, to provide HIV/AIDS psychosocial and transitional case management services.

The purpose of our review was to determine whether PHFE provided services to eligible clients, and spent DHSP Program funds in accordance with their County contracts. We also evaluated the adequacy of the Agency's accounting records, internal controls, and compliance with their contracts and applicable guidelines.

At the time of our review, PHFE had two cost-reimbursement contracts with DHSP. DHSP paid the Agency approximately \$137,890 from April 2011 to December 2012. PHFE provides services in the Third and Fifth Supervisorial Districts.

Results of Review

PHFE deposited DHSP payments timely and maintained adequate personnel records. In addition, PHFE's Cost Reports reconciled to their financial records for the period

ended March 2012. However, we identified \$2,533 in questioned costs, and PHFE did not always comply with all requirements of their County contracts. Specifically, PHFE:

- Did not conduct fiscal monitoring of their subcontractor on an ongoing basis as required by their accounting policies and procedures.

Subsequent to our review, PHFE provided two subcontractors monitoring reports that were conducted after our fieldwork.

- Did not allocate shared expenditures based on current actual data. Specifically, the Agency allocated rent costs based on program full time equivalent (FTE) from prior contract periods. Questioned costs totaled \$2,533.

Subsequent to our review, PHFE provided labor detail reports to support the actual program FTE for the review period to support the questioned costs.

- Did not ensure that their subcontractor obtained adequate documentation to support the eligibility of seven (88%) of the eight subcontractor clients reviewed. Specifically, the Agency's subcontractor did not maintain proof of residency and annual income verification in clients' files as required by the County contract. A similar finding was also noted during our prior monitoring review.

The Agency's attached response indicates that their subcontractor is taking the necessary steps to ensure their client charts contain all the necessary documentation as required by the contract and a programmatic review of their subcontractor is scheduled for November 2013.

- Did not ensure that their subcontractor developed the required client fee schedule.

The Agency's response indicates that their subcontractor is developing a client fee schedule.

Details of our review, along with recommendations for corrective action, are attached.

Review of Report

We discussed our report with PHFE and DHSP. The Agency's attached response indicates that they agree with our findings and recommendations.

We thank PHFE management and staff for their cooperation and assistance during our review. Please call me if you have any questions, or your staff may contact Don Chadwick at (213) 253-0301.

WLW:AB:DC:EB

Attachment

c: William T Fujioka, Chief Executive Officer
Jonathan E. Fielding, M.D., M.P.H., Director, Department of Public Health
Public Health Foundation Enterprises, Inc.
Mark J. Bertler, Chief Executive Officer
Bruce Y. Lai, Chair, Board of Directors
Public Information Office
Audit Committee

**PUBLIC HEALTH FOUNDATION ENTERPRISES, INC.
HIV/AIDS PREVENTION AND CARE SERVICES
APRIL 2011 TO DECEMBER 2012**

ELIGIBILITY

Objective

Determine whether Public Health Foundation Enterprises, Inc. (PHFE or Agency) provided services to clients who met the Department of Public Health Division of HIV and STD Programs (DHSP) eligibility requirements. In addition, determine whether PHFE provided the services billed to DHSP and collected fees from eligible clients in accordance with their County contracts.

Verification

We reviewed the case files for 12 (4%) of the 287 clients who received services between April 2011 and December 2012 for documentation of their eligibility for DHSP services. Our sample included four clients who received services from PHFE, and eight clients who received services from PHFE's subcontractor. We also verified whether the Agency collected fees from clients in accordance with the Agency's approved client fee schedule.

Results

PHFE maintained adequate documentation to support the eligibility of the four clients reviewed. However, PHFE's subcontractor did not maintain adequate documentation to support the eligibility of seven (88%) of the eight subcontractor clients reviewed. Specifically, PHFE's subcontractor did not maintain proof of residency and annual income verification in the clients' files as required by the County contract. A similar finding was also noted during our prior monitoring review. In addition, the Agency's subcontractor did not develop a client fee schedule as required by the County contract.

Recommendations

Public Health Foundation Enterprises, Inc. management:

- 1. Terminate their contract with the subcontractor or ensure the subcontractor maintains documentation to support the clients' eligibility.**
- 2. Ensure the subcontractor develops and implements a client fee schedule to charge clients based on their ability to pay, and have the fee schedule reviewed and approved by the Department of Public Health Division of HIV and STD Programs.**

CASH/REVENUE

Objective

Determine whether PHFE recorded revenue in the Agency's financial records properly, deposited cash receipts into their bank accounts timely, and that bank account reconciliations were reviewed and approved by Agency management.

Verification

We interviewed PHFE management, reviewed the Agency's financial records and November 2012 bank reconciliations for two bank accounts.

Results

PHFE recorded revenue properly, deposited cash receipts timely, and reviewed and approved bank reconciliations.

Recommendation

None.

EXPENDITURES

Objective

Determine whether expenditures charged to DHSP were allowable under their County contracts, documented properly, billed accurately, and allocated according to its Cost Allocation Plan.

Verification

We interviewed Agency personnel, and reviewed financial records for 10 expenditure transactions, totaling \$16,614, that the Agency charged to DHSP from April 2011 to December 2012.

Results

PHFE charged direct expenditures appropriately. However, PHFE did not allocate shared expenditures based on current actual data. Specifically, the Agency allocated rent costs based on program full time equivalent from prior contract periods. As a result, the Agency billed DHSP \$2,533 in questioned costs. In addition, PHFE had not fiscally monitored their subcontractor since April 2011. PHFE's policies and procedures indicate their subcontractors are monitored on an ongoing basis during the period of performance by the subcontractors. Subsequent to our review, the Agency provided documentation to support staffing for the questioned costs and two subcontractors

monitoring reports that were performed after our fieldwork. In addition, PHFE noted in a monitoring report dated February 20, 2013, an overpayment of \$272 to a subcontractor was identified and a repayment of \$272 to DHSP was recommended.

Recommendations

Public Health Foundation Enterprises, Inc. management:

- 3. Repay the Department of Public Health Division of HIV and STD Programs \$272 for overpayment made to their subcontractor.**
- 4. Ensure that expenditures are allocated appropriately based on current actual data.**
- 5. Monitor their subcontractor on an ongoing basis as required by the Agency's accounting policies and procedures.**

PAYROLL AND PERSONNEL**Objective**

Determine whether PHFE charged payroll costs to DHSP appropriately, and maintained personnel files as required.

Verification

We compared the payroll costs for two employees, totaling \$3,616 for September 2012, to the Agency's payroll records and timecards. We also reviewed the personnel files.

Results

PHFE charged payroll costs to DHSP appropriately and maintained personnel files as required by their County contracts.

Recommendation

None.

COST REPORTS**Objective**

Determine whether PHFE's Cost Reports reconciled to their financial records.

Verification

We compared the Agency's Cost Reports submitted to DHSP for the period ended March 2012 to their financial records.

Results

PHFE's Cost Reports reconciled to their financial records.

Recommendation

None.



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September 30, 2013

Wendy L. Watanabe, Auditor-Controller
Department of Auditor-Controller
Countywide Contract Monitoring Division
350 S. Figueroa Street, 8th Floor
Los Angeles, CA 90071
Attention: Iscah Wang

Dear Ms. Wang:

RESPONSE TO FINDINGS OF A DEPARTMENT OF PUBLIC HEALTH HIV/AIDS
PREVENTION AND CARE SERVICES PROVIDER - CONTRACT COMPLIANCE
REVIEW

ELIGIBILITY

Objective

Determine whether Public Health Foundation Enterprises, Inc. (PHFE or Agency) provided services to individuals who met the Department of Public Health (DPH) Division of HIV and STD Programs (DHSP) eligibility requirements. In addition, determine whether PHFE provided the services billed to DHSP and collected fees from eligible clients in accordance with their County contracts.

Verification

We reviewed the case files for 12 clients who received services between April 2011 and October 2012 for documentation of their eligibility for DHSP services. Our sample included four clients who received services from PHFE, and eight clients who received services from PHFE's subcontractor. We also verified whether the Agency collected fees from clients in accordance with the Agency's approved client fee schedule.

Results

PHFE maintained adequate documentation to support the eligibility of the four Agency clients reviewed. However, PHFE's subcontractor did not maintain adequate documentation to support the eligibility of seven (88%) of the eight subcontractor clients reviewed. Specifically, PHFE's subcontractor did not maintain proof of residency and annual income verification in the clients' files as required by the County contract. A similar finding was also noted during our prior monitoring review. In addition, the



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Agency's subcontractor did not develop a client fee schedule as required by the County contract

Recommendation

PHFE management:

- 1. Terminate their contract with subcontractor or ensure Agency subcontractor maintain documentation to support the clients' eligibility.**
- 2. Ensure Agency subcontractor develop and implement a client fee schedule to charge clients based on their ability to pay, and have the fee schedule reviewed and approved by Department of Public Health (DPH) Division of HIV and STD Programs.**

Response: LAFAN's Program Director, Maria Rangel, along with the Clinical Supervisor, Shellye Jones have discussed these concerns with the subcontractor/UCLA. UCLA's Case Manager during the period reviewed is no longer the Case Manager on the program. In addition, while UCLA recruited for a replacement there was about a 30 day vacancy in August-September 2012. The current Case Manager, Ms. Elia Silveyra has been taking measures to ensure that their client charts contain all of the necessary documentation as required by the contract. LAFAN personnel, and UCLA personnel met with Mr. Abel Alvarez, Los Angeles County Program Manager on September 26th to review the expectations for the current year. This meeting also entailed reviewing the contract requirements and UCLA confirmed they are taking the necessary steps to collect proof of residency, annual income verification as well as developing a sliding client fee schedule. All of this documentation will be collected during LAFAN's programmatic review in November 2013.

CASH/REVENUE

Objective

Determine whether PHFE recorded revenue in the Agency's financial records properly, deposited cash receipts into their bank account timely, and that back account reconciliations were reviewed and approved by Agency management

Verification

We interviewed PHFE management, reviewed the Agency's financial records and November 2012 bank reconciliations for two bank accounts



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Results

PHFE recorded revenue properly, deposited cash receipts timely, and reviewed and approved bank reconciliations.

Recommendation

None

EXPENDITURES

Objective

Determine whether expenditures charged to the DHSP Programs were allowable under the County contracts, documented properly, billed accurately, and allocated according to its Cost Allocation Plan.

Verification

We interviewed Agency personnel, and reviewed financial records for 10 expenditures transactions, totaling \$15,624, that the Agency charged to the DHSP Programs from January 2012 to October 2012. Based on the results of our initial review of the rent expenditures, we expanded our review and tested an additional \$990 in rent expenditures that the Agency billed to the DHSP Program from April 2012 to June 2012.

Results

PHFE did not allocate shared expenditures based on current actual data. Specifically, the Agency allocated rent costs based on program full time equivalent (FTE) from prior contract periods. As a result, the Agency billed DHSP \$2,533 in questioned costs. In addition, PHFE had not fiscally monitored their subcontractor since April 2011. PHFE's policies and procedures indicate their subcontractors are monitored on an ongoing basis during the period of performance by the subcontractors. Subsequent to our review, Agency provided two subcontractors monitoring reports that were performed after our fieldwork. In one of the report dated February 20, 2013, an overpayment of \$272 to subcontractor in payroll expenditure was identified and a repayment of \$272 to DHSP was recommended.

Recommendations



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PHFE management:

3. **Repay Department of Public Health (DPH) Division of HIV and STD Programs \$272**
4. **Ensure that expenditures are allocated appropriately based on current actual data.**
5. **Monitor subcontractor on an ongoing basis as required by the Agency's accounting policies and procedures.**

Response: PHFE will issue a check to the County, in the amount of \$272 for the overpayment to UCLA by October 31, 2013. The allocation of the rent has been corrected since the compliance visit. PHFE acknowledges that it did not perform the site visit monitoring on an ongoing basis as stated in its accounting policies and procedures, but rather performed the site visits in January 2010, February 2013 and June 2013. PHFE will be reviewing its policy to be in-line with OMB Circular A-133 compliance.

PAYROLL AND PERSONNEL

Objective

Determine whether PHFE charged payroll costs to the DHSP appropriately, and maintained personnel files as required.

Verification

We compared the payroll costs for two employees, totaling \$3,616 for September 2011, to the Agency's payroll records and timecards. We also reviewed the personnel files.

Results

PHFE charged payroll costs to the DHSP Programs appropriately, and maintained personnel files as required by the County contracts.

Recommendation

None



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COST REPORTS

Objective

Determine whether the PHFE's Cost Reports reconcile to their financial records.

Verification

We compared the Agency's Cost Reports submitted to DHSP for the period ended March 2012 to their financial records.

Results

PHFE's Cost Reports reconciled to their financial records

Recommendation

None

If you have any questions or need additional information, please contact Elisa Romero, at (562) 222-7846.

Sincerely,

A handwritten signature in black ink, which appears to read 'Nancy Kindelan', is positioned above the printed name.

Nancy Kindelan
CEO